

Message Text

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42

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SS-15 L-03 INR-07 SP-02 /047 W

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R 021628Z JUL 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2548

C O N F I D E N T I A L LONDON 10192

STADIS////////////////////////////////

E.O. 11652: GDS

TAGS: EFIN UK

SUBJECT: U.S.-U.K. TAX CONVENTION

REF: A) STATE 154767, B) LONDON 9957, C) LONDON 9905

D) USOECD 16560, E) LONDON 9730

1. FOLLOWING WAS SEQUENCE OF EVENTS:

A. ON JUNE 24 CHANCELLOR HEALEY EXPRESSED HIS CONCERN TO AMBASSADOR THAT U.S. APPARENTLY INTENDED GIVE NOTICE OF TERMINATION US/UK DOUBLE TAXATION TREATY BY END OF JUNE. HEALEY GAVE AMBASSADOR COPY OF HIS LETTER TO SECRETARY SIMON AND RAISED SEVERAL POINTS REPORTED LONDON 9730. GIVEN IMPORTANCE OF SUBJECT AND SHORTNESS OF DEADLINE, WE TOOK ADVANTAGE OF PRESENCE IN PARIS OF NATHAN GORDON, DEPUTY TO ASST. SECRETARY HICKMAN OF TREASURY, AND ONE OF MOST KNOWLEDGEABLE TAX EXPERTS IN USG, TO SUGGEST THAT HE STOP IN LONDON ON HIS WAY HOME.

B. GORDON SPENT MOST OF AFTERNOON JUNE 26 IN EMBASSY. HE DESCRIBED NEGOTIATING HISTORY TO AMBASSADOR AND SAID THAT SECRETARY SIMON WOULD TELEPHONE HEALEY DURING WEEKEND TO ASSESS ATTITUDE AT POLITICAL LEVEL IN UK TOWARDS CONTINUED NEGOTIATION. GORDON SUGGESTED THAT AMBASSADOR MIGHT TELEPHONE HEALEY FIRST AS FOLLOW-UP TO THEIR CONVERSATION JUNE 24 AND TO UNDERLINE IMPORTANCE U.S. ATTACHES TO BRITISH WILLINGNESS TO NEGOTIATE.

C. ABOUT 1730 LONDON TIME JUNE 26, SECRETARY
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SIMON'S OFFICE TELEPHONED OFFICE OF E/C MIN TO ASK THAT

WE FORWARD LETTER PROPOSED OECD PARIS 16560 TO HEALEY. LETTER WAS DELIVERED BY ASST. FINATT, AS REPORTED LONDON 9905, UNDER COVER OF CUSTOMARY BRIEF NOTE FROM AMBASSADOR.

D. LETTER WAS DELIVERED TO HEALEY AT 9:20 A.M. LONDON TIME JUNE 27. AROUND MID-DAY LONDON TIME, AMBASSADOR TELEPHONED SECRETARY SIMON AND SUBSEQUENTLY CALLED HEALEY AS REPORTED LONDON 9957. THIS CALL WAS FOLLOWED DURING WEEKEND BY SECRETARY SIMON'S CALL TO HEALEY WITH RESULTS OF WHICH DEPT. IS AWARE.

2. IN ANSWER TO SPECIFIC QUESTIONS POSED REFTEL:

A) TEXT DELIVERED HEALEY IS IDENTICAL WITH THAT PROPOSED OECD PARIS 16560.

B) TEXT OF AMBASSADOR'S COVERING NOTE APPEARS IN PARA 3 BELOW.

C) DURING THIS PERIOD ONLY CONVERSATIONS BETWEEN EMBASSY AND TREASURY WERE INSTRUCTIONS TO DELIVER LETTER, CALL TO TREASURY TO MAKE SURE THAT NO AMENDMENTS WERE TO BE MADE IN TEXT, INQUIRY TO TREASURY FOLLOWING MORNING TO ASCERTAIN SECRETARY SIMON'S WHEREABOUTS, AND AMBASSADOR'S CALL TO SIMON. THROUGHOUT THE ASST. FINANCIAL ATTACHE (FINATT WAS ON LEAVE) WORKED CLOSELY WITH E/C MINISTER AND OTHER MEMBERS OF EMBASSY STAFF. LIMDIS GREENBACK CHANNEL WAS USED BECAUSE OF SENSITIVITY OF SUBJECT WHICH INVOLVED TIMING AND TACTICS OF POSSIBLE NOTICE OF TERMINATION OF MAJOR TREATY BETWEEN TWO CLOSE ALLIES.

3. TEXT OF AMBASSADOR'S NOTE TO HEALEY READS:

"SECRETARY SIMON HAS ASKED ME TO CONVEY TO YOU THE ATTACHED LETTER REGARDING THE U.S./U.K. INCOME TAX CONVENTION IN RESPONSE TO YOUR LETTER OF JUNE 23, 1975. I APPRECIATED THE OPPORTUNITY TO DISCUSS THIS SUBJECT WITH YOU DURING OUR MEETING ON TUESDAY, AND LOOK FORWARD TO HEARING FROM YOU IN THE NEAR FUTURE."

4. WE APOLOGIZE FOR NOT HAVING KEPT DEPT. MORE FULLY INFORMED. THIS WAS DUE TO URGENCY WITH WHICH MATTER WAS HANDLED AND ASSUMPTION TREASURY WAS DOING SO. WE ASSUMED DEPT. WOULD AGREE WITH STEPS TO AVOID TERMINATION OF TREATY IF SECRETARY SIMON WILLING TO DO SO.

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